

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 2917-01
BILL NO.: SB 743 with SCA # 1
SUBJECT: Taxation and Revenue-Income; Revenue Dept.; Elderly
TYPE: Original
DATE: February 15, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
General Revenue	\$0 to (\$3,176,000)	\$0 to (\$3,176,000)	\$0 to (\$3,176,000)
Total Estimated Net Effect on <u>All</u> State Funds	\$0 to (\$3,176,000)	\$0 to (\$3,176,000)	\$0 to (\$3,176,000)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
None			
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation requires the Department of Revenue to notify potentially eligible taxpayers of the pharmaceutical tax credit if they have not already filed for the credit.

ADMINISTRATIVE IMPACT:

The Department is currently doing this now for the property tax credit and has already placed edits in the system for notification. Therefore, there is little or no administrative impact to the Department of Revenue.

Officials of the **Office of Administration (COA)** state that the revenue impact of SB 14 from last year assumed a 50% participation rate. Implicit in that assumption was that the Department of Revenue and other organizations would work to inform seniors about the program. While this proposal may enhance participation, COA staff has no basis for an estimate.

SB 675 (1998) required the Department of Revenue to notify taxpayers who were potentially eligible for the Circuit Breaker Tax Credit. The assumption made by the DOR in that legislation stated that currently only 22% of the taxpayers eligible were claiming the credit.

According to DOR staff the current participation rate for the Circuit Breaker Tax Credit is 30%.

Oversight's assumption in calculating the fiscal impact of SB 14 assumed a 50% utilization rate for the pharmaceutical tax credit (\$20,000,000). Assuming that notifying taxpayers of their potential eligibility for the pharmaceutical tax credit would have the same effect as notifying the Circuit Breaker taxpayers, which would result in an additional 8% claiming the pharmaceutical tax credit. COA staff estimated the maximum revenue impact of the pharmaceutical tax credit at 100% to be a loss of approximately \$39,700,000 annually. 8% of \$39,700,000 equals \$3,176,000.

For purposes of this fiscal note, **Oversight** has ranged the revenue impact of this proposal from \$0 to (\$3,176,000) annually.

This proposal would result in a decrease in Total State Revenues.

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<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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GENERAL REVENUE FUND

Loss to General Revenue Fund

Increase in pharmaceutical Tax Credits
 Claimed

\$0 to (\$3,176,000)	\$0 to (\$3,176,000)	\$0 to (\$3,176,000)
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**ESTIMATED NET EFFECT ON
 GENERAL REVENUE FUND**

<u>\$0 to</u> <u>(\$3,176,000)</u>	<u>\$0 to</u> <u>(\$3,176,000)</u>	<u>\$0 to</u> <u>(\$3,176,000)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
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\$0	\$0	\$0
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FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act amends the pharmacy tax credit adopted in SB 14 (1999). The new language requires the Department of Revenue to review returns and advise eligible taxpayers who have not applied for the credit that they may do so. The language itself is identical to that used in the Circuit Breaker statute.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Office of Administration
 Department of Revenue



Jeanne Jarrett, CPA
 Director
 February 15, 2000